

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION, REHABILITATION, OPERATION AND MAINTENANCE**

PROPOSED APPROPRIATION LANGUAGE

For carrying out the functions authorized by title III, section 302(a)(1)(E) of the Act of August 4, 1977 (42 U.S.C. [7107, et seq.]7152), and other related activities including conservation and renewable resources programs as authorized, including [the replacement of not more than two helicopters through transfers, exchanges, or sale, and] official reception and representation expenses in an amount not to exceed \$1,500, [\$189,043,000] \$215,435,000, to remain available until expended, of which [\$182,806,000] \$206,222,000 shall be derived from the Department of the Interior Reclamation Fund: *Provided*, That of the amount herein appropriated, [\$5,592,000]\$5,036,000 is for deposit into the Utah Reclamation Mitigation and Conservation Account pursuant to title IV of the Reclamation Projects Authorization and Adjustment Act of 1992[: *Provided further*, That the Secretary of the Treasury is authorized to transfer from the Colorado River Dam Fund to the Western Area Power Administration \$5,592,000 to carry out the power marketing and transmission activities of the Boulder Canyon project as provided in section 104(a)(4) of the Hoover Power Plant Act of 1984, to remain available until expended].

EXPLANATION OF CHANGE

Deletes language to authorize acquisition of not more than two helicopters for replacement. Deletes language providing for the transfer of funds from the Colorado River Dam Fund in FY 1999 because Western has unused transfer authority from previous years that can be used.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
FALCON AND AMISTAD OPERATING AND MAINTENANCE FUND**

PROPOSED APPROPRIATION LANGUAGE

For operation, maintenance, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams, [\$970,000] \$1,010,000 to remain available until expended, and to be derived from the Falcon and Amistad Operating and Maintenance Fund of the Western Area Power Administration, as provided in section 423 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET SUBMISSION
WESTERN AREA POWER ADMINISTRATION**

PROGRAM MISSION

MISSION

The mission of the Western Area Power Administration (Western) is to market and deliver reliable, cost-based hydroelectric power and related services. Western provides electric power to nearly 600 customers over a 1.3-million-square-mile area in the central and western United States. Western will repay the Federal investment for which it is responsible within the time frames established by law and regulations.

Our vision is:

- C Remarkable Service
- C Superior Products
- C Delighted Customers

Our goals, which support the Department of Energy's (DOE) Strategic Plan and this vision, are:

- C To be an organization of highly skilled, highly productive, customer-oriented employees who carry out our mission in concert with our desired culture, core competencies and leadership qualities.
- C To strengthen our partnerships with the U.S. Bureau of Reclamation, the U.S. Army Corps of Engineers and the International Boundary and Water Commission to manage power delivery costs, and to improve power system reliability and efficiency.
- To strengthen partnership programs with our customers, constantly looking for opportunities to support both their and Western's success.
- C To participate in decision-making processes with natural resource agencies whose operating decisions significantly affect Federal power rates and repayment obligations.

PROGRAM MISSION - WESTERN AREA POWER ADMINISTRATION (Cont'd)

- C To limit increases in annual operating expenses to keep our rates and the rates of our customers competitive in the markets we serve.
- C To continuously work with our customers to secure alternative financing of Western's programs.
- C To be proactive in the shaping of the competitive utility industry, primarily acting as an advocate for power system reliability.
- C To enhance the productivity of our workforce to improve our service to our customers through continuous streamlining of our work processes and seeking relief from burdensome regulations.

STRATEGY

Operating rules govern our day-to-day operations. They are:

- C Western's employees will carry out all activities with safety as a first priority.
- C Western will maintain and operate its transmission system in full compliance with the North American Electric Reliability Council, the Western Systems Coordinating Council, and Mid-Continent Area Power Pool guidelines.
- C Western will assess proposals for construction of new facilities within budget constraints and using our published integrated resource planning principles. The proposals must pass at least one of three criteria before we will consider construction: increased revenues from the new facilities must exceed the annual cost over the cost evaluation period; or customers must benefit sufficiently to support the new facilities in spite of a possible rate increase; or the new facilities will be funded by others.
- C Replacement and rehabilitation of existing facilities will be based on: reliability of the facility or equipment (operating condition, availability of replacement parts, safety, etc.); or economics of life extension; or future needs for facility or equipment based on strategic planning; or capability to meet future system requirements; and affected customers being included in the planning process, including cost-sharing opportunities.

PROGRAM MISSION - WESTERN AREA POWER ADMINISTRATION (Cont'd)

- C Western will conduct its business in an environmentally sound manner, efficiently and effectively complying with the letter, spirit and intent of applicable environmental statutes, regulations and standards. We believe in protecting and enhancing the environment and that these investments are sound business practices. Western will use effective planning to eliminate, lessen or mitigate the environmental impacts of its actions. Western's goal is to enhance the environment through cleanups, pollution prevention and waste minimization.
- C Western will provide a reasonable amount of energy services technical assistance, with priority given to small- and medium-sized customers. The costs of these services will be in the power rate base. Western will facilitate the voluntary use of renewable resources by Western's customers.
- C Western will continually identify key business processes critical to our success, establish baselines for them, implement value-added changes, and track progress/savings.

PERFORMANCE MEASURES

Western's performance measures support DOE's Strategic Plan. Data for each measure are collected annually. These measures are aimed at achieving specific outcomes including establishment of rates sufficient to make full and timely repayment to the U.S. Treasury; maintenance of the health and safety of all employees; and development and achievement of the operation of a reliable, low-cost, environmentally-sound power system which facilitates competitive, efficient and reliable power deliveries. Outputs include:

1. **OPERATING EFFECTIVENESS:** Area Control Error (ACE) compliance will exceed 95 percent, placing Western on the North American Electric Reliability Council (NERC) performance honor roll. Western's FY 1997 ACE percentage was 97.2. Beginning with FY 1998, operating effectiveness will be based on Control Performance Standards (CPS). Western's compliance will exceed the acceptance levels set by NERC for these standards.
2. **SAFETY:** Western's lost workday frequency rate in calendar year 1996 was 0.3 cases per 200,000 hours worked, which is lower than the latest available average for the electric utility industry, 1.3 cases, as reported by the National Safety Council. Calendar year 1997 data is not yet available.

PROGRAM MISSION - WESTERN AREA POWER ADMINISTRATION (Cont'd)

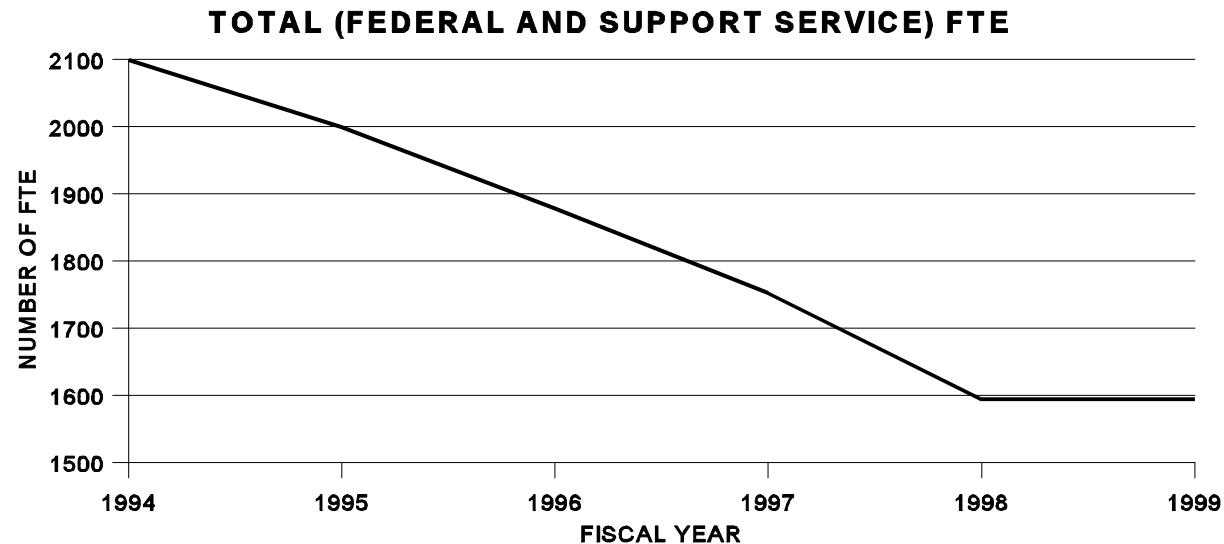
3. **COST GROWTH:** The change in actual regular operation and maintenance obligations from one year to the next is no greater than the annual rate of inflation for the same period. In FY 1997, regular operation and maintenance obligations were 2.7 percent greater than FY 1996. The annual rate of inflation for that same period was 2.3 percent.
4. **PRINCIPAL PAYMENT:** Principal repayment to the U.S. Treasury in any given fiscal year is equal to, or greater than, the planned principal repayment. In FY 1997 our planned repayment was \$71.0 million. FY 1997 data is not yet available. FY 1996 planned repayment was \$32.2 million. Actual repayment was \$14.2 million. Repayment was less than planned due primarily to over collections in FY 1994 and FY 1995 in the Central Valley Project. Credits for the prior year over collections offset the FY 1996 planned repayment by \$11.8 million.

SIGNIFICANT ACCOMPLISHMENTS AND PROGRAM SHIFTS

- C We are reducing our full time equivalent (FTE) usage from a FY 1994 level of 1,504 to 1,329 by the beginning of FY 1999, a reduction of 12 percent.
- C We are reducing our support service employee level from the FY 1994 level of 601 to 265 by the beginning of FY 1999, a 56 percent reduction.

PROGRAM MISSION - WESTERN AREA POWER ADMINISTRATION (Cont'd)

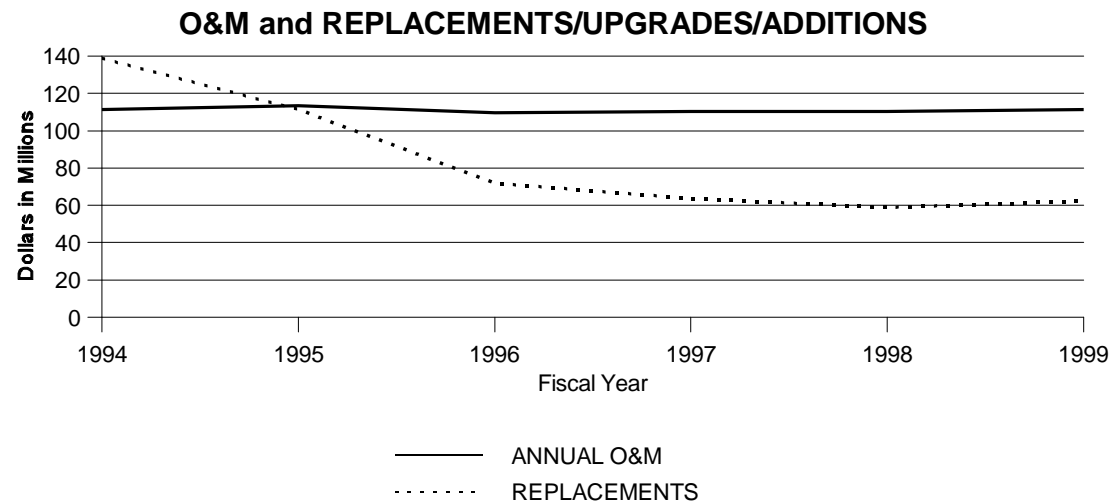
C The overall personnel reduction is 24 percent, or 511 employees:



- C We have identified unobligated balances and applied them as offsets to the annual budget requests, e.g., \$66.5 million in FY 1997, \$41.1 million in FY 1998, and \$ 8.1 million in FY 1999. Additionally, Western contributed \$11.4 million to the Disaster Recovery Act of 1997. These balances became available due to delays in replacements/upgrades/additions, the use of settlement credits with Pacific Gas and Electric, better than expected water conditions, and hiring restrictions.
- C We are limiting increases in annual operation and maintenance (O&M) costs of the high voltage electrical and communications systems to no greater than the rate of inflation. Our FY 1999 requested program level for annual O&M activity of \$109.9 million is less than our FY 1994 request of \$111.6 million. During this time frame, inflation would have dictated an increase of at least 10 to 15 percent.

PROGRAM MISSION - WESTERN AREA POWER ADMINISTRATION (Cont'd)

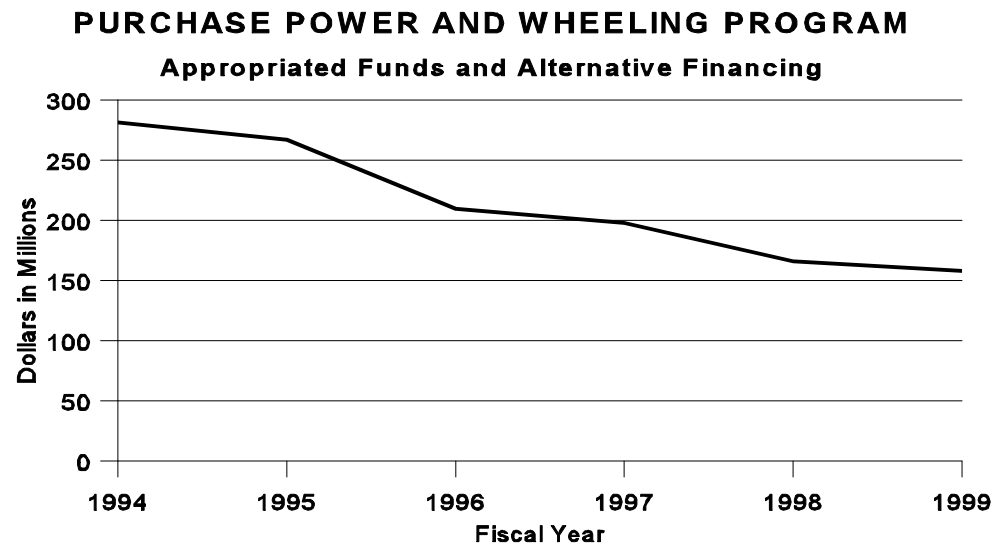
- C The level of replacements/upgrades/additions of our facilities has been reduced from \$139 million in our FY 1994 request (\$121 million in Construction and Rehabilitation (C&R) activity and \$18 million in O&M activity) to \$54.8 million in our FY 1999 request (\$35.0 million in C&R activity and \$19.8 million in O&M activity). This 61 percent decrease is a result of close coordination with Western's customers on proposed projects to identify efficiencies and minimize costs, and the completion of necessary projects in past years. Replacements of transmission lines, substation equipment, and communication equipment are being planned at a level that will not cause power rate increases, but at the same time retains the value of our asset as a safe and reliable transmission system.



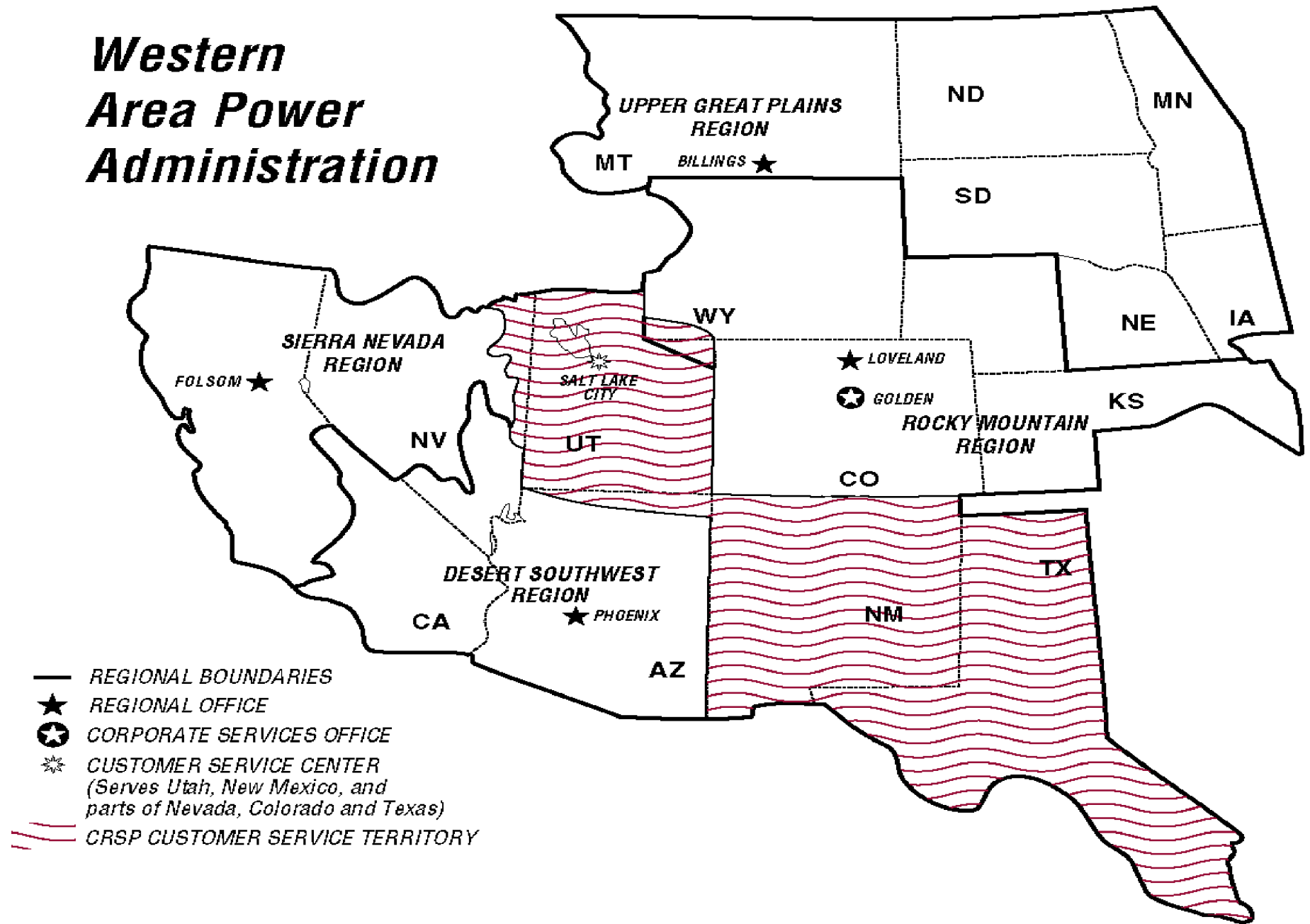
- C The above numbers include salaries, equipment, contracts, and related expenses for the respective activities. However, beginning with FY 1997, the salary and related expenses for the O&M and C&R activities are consolidated and quantified under the heading of Program Direction.
- C The cost of Western's work is often shared with other Federal entities under reimbursable agreements and with non-Federal participants under the authorities provided in the Interior Department Appropriations Act of 1928 and the Contributed Funds Act. We continue to pursue alternative forms of financing for our programs, such as bill crediting and customer advance funding, to reduce our dependence on annual appropriations while maintaining the same level of oversight and control.

PROGRAM MISSION - WESTERN AREA POWER ADMINISTRATION (Cont'd)

- C Western is in the process of separating its power marketing and transmission system reliability functions in response to the Federal Energy Regulatory Commission's (FERC) Order Nos. 888 and 889. Western's tariff package was submitted to FERC under a nonjurisdictional docket on December 31, 1997. Western owns, operates, and/or participates in electronic systems to share information about available transmission capacity within the regions in which it operates.
- C Power purchases have been reduced from 9.0 billion kilowatt-hours in FY 1994 to an anticipated 6.9 billion kilowatt-hours in FY 1999. This decrease is due to improved reservoir levels in all of Western's service areas and to reduced customer loads in the Central Valley Project resulting from increased competitiveness in the energy market. Further, Western has pursued cost reductions through termination/restructuring of above-market power purchase contracts in the Central Valley Project. The total Purchase Power and Wheeling program has decreased from \$282 million in FY 1994 to \$153 million in FY 1999.



Western Area Power Administration



**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION**

CONSTRUCTION, REHABILITATION, OPERATION, AND MAINTENANCE

PROGRAM FUNDING PROFILE

(Dollars in thousands)

<u>Sub-program</u>	<u>FY 1997 Current Appropriation</u>	<u>FY 1998 Original Appropriation</u>	<u>FY 1998 Adjustments</u>	<u>FY 1998 Current Appropriation</u>	<u>FY 1999 Request</u>
Construction, Rehabilitation, Operation and Maintenance Account					
Program Direction	\$ 109,028	\$ 109,834	\$ 0	\$ 109,834	\$ 107,383
Operation and Maintenance	34,006	41,161	0	41,161	36,469
Purchase Power and Wheeling	74,235	54,886	0	54,886	53,886
Construction and Rehabilitation	29,764	24,243	0	24,243	20,802
Utah Mitigation and Conservation	<u>5,432</u>	<u>5,592</u>	<u>0</u>	<u>5,592</u>	<u>5,036</u>
Total Program, Operating Expenses	\$ 252,465	\$ 235,716	\$ 0	\$ 235,716	\$ 223,576
Planned Use of Prior Year Balances	<u>-66,461</u>	<u>-41,081</u>	<u>1/</u>	<u>-41,081</u>	<u>1/</u> <u>-8,141</u>
Total Budget Authority Request (Current and Permanent)	<u>\$ 186,004</u>	<u>\$ 194,635</u>	<u>\$ 0</u>	<u>\$ 194,635</u>	<u>\$ 215,435</u>
Permanent Budget Authority	(\$ 3,774)	(\$ 5,592)		(\$ 5,592)	(\$ 0)
Current Budget Authority	(\$ 182,230)	(\$189,043)		(\$189,043)	(\$215,435)

1/ Actual prior year balances available in FY 1998 total \$36,750, of which \$2,061 is associated with the Boulder Canyon Project.

Program Funding Profile, Construction, Rehabilitation, Operation and Maintenance (Cont'd)

Public Law Authorizations:

P.L. 57-161, "The Reclamation Act of 1902"

P.L. 66-389, "Contributed Funds Act" (1921)

P.L. 76-260, "Reclamation Projects Act of 1939"

P.L. 80-790, "Emergency Fund Act of 1948"

"Economy Act" of 1932, as amended

P.L. 95-91, "Department of Energy Organization Act" (1977)

P.L. 102-486, "Energy Policy Act of 1992"

P.L. 102-575, "Reclamation Projects Authorization and Adjustment Act of 1992"

"Interior Department Appropriation Act of 1928" (44 stat. 957)

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION**

CONSTRUCTION, REHABILITATION, OPERATION, AND MAINTENANCE

PROGRAM FUNDING BY SITE
(Dollars in thousands)

<u>Field Office/Sites</u>	<u>FY 1997 Current Appropriation</u>	<u>FY 1998 Original Appropriation</u>	<u>FY 1998 Adjustments</u>	<u>FY 1998 Current Appropriation</u>	<u>FY 1999 Budget Request</u>
Western Area Power Administration Program Direction	\$ 252,465	\$ 235,716	\$ 0	\$ 235,716	\$ 223,576 105,655
Planned Use of Prior Year Balances	<u>-66,461</u>	<u>-41,081</u>	<u>1/</u> <u>0</u>	<u>-41,081</u>	<u>1/</u> <u>-8,141</u>
Total	<u>\$ 186,004</u>	<u>\$ 194,635</u>	<u>\$ 0</u>	<u>\$ 194,635</u>	<u>\$ 215,435</u>

1/ Actual prior year balances available in FY 1998 total \$36,750, of which \$2,061 is associated with the Boulder Canyon Project.

WESTERN AREA POWER ADMINISTRATION

PROGRAM DIRECTION

I. Mission Supporting Goals/Ongoing Responsibilities:

Western's Program Direction activity provides compensation and all related expenses for the workforce that operates and maintains Western's high voltage interconnected transmission system and associated facilities and those that plan, design, and supervise the construction of replacements, upgrades and additions (capital investments) to the transmission facilities. These employees include, but are not limited to, civil, electrical and electronic engineers, high voltage linemen and electricians, power dispatchers, public utility specialists, power marketing specialists, environmental and safety specialists, and administrative staff.

Western operates and maintains the transmission system to ensure an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner throughout its 15-state service territory. Western achieves continuity of service by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbances, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the benefits gained from non-firm energy sales.

Western markets power generated at 55 hydropower plants which are operated primarily by the Bureau of Reclamation, the Corps of Engineers, and the International Boundary and Water Commission. Western also markets the United States' entitlement from the Navajo coal-fired powerplant near Page, Arizona.

In concert with our customers, Western reviews required replacements and upgrades to its existing infrastructure to sustain reliable power delivery to our customers and to contain annual maintenance expenses. The timing and scope of these replacements and upgrades are critical to assure that Western's facilities do not become the "weak link" in the interconnected system. Western pursues opportunities to join with neighboring utilities to jointly finance construction activities, which result in realized cost savings and/or increased efficiencies for all participants.

Western's Transformation process, initiated in FY 1995, is an aggressive plan to reorganize, restructure, and reengineer the agency to meet the challenges of an ever-changing utility industry. Transformation costs incurred in FY 1997 and FY 1998 are financed primarily through use of prior year balances.

PROGRAM DIRECTION (Cont'd)

Program direction has been grouped into four categories:

Salaries and Benefits: Funding for wages, includes geographic differentials, pay raises (including legislated, negotiated, and administratively-determined), overtime, holiday and premium pay, and cash incentive awards for Western's Federal workforce. Also includes Western's share of employee retirement, health and life insurance, accident compensation, Federal Insurance Contribution Act taxes, and Federal Retirement Thrift Savings Plan contributions. Benefits include relocation expenses related to permanent changes of station, and payments for former employees such as severance pay and voluntary separation incentives.

Travel: Funding for the transportation of Government employees, their per diem allowances and incidental expenses incurred in the day-to-day performance of their responsibilities. Also includes transportation of things.

Support Services: Funding for services including automated data processing and general administrative support.

Other Related Expenses: Funding for rental space, telecommunications, utilities and miscellaneous charges, printing and reproduction, training tuition fees, maintenance and repair of office equipment, supplies, materials, non-capitalized equipment, distribution of multi-project facilities costs, and the assessment of Department of Energy working capital fund expenses.

II. Funding Table:

	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 <u>Adjustments</u>	FY 1998 Current <u>Appropriation</u>	FY 1999 Budget <u>Request</u>
Salary and Benefits	\$ 73,079	\$ 73,721	\$ 0	\$ 73,721	\$ 75,629
Travel	7,650	7,761	0	7,761	7,993
Support Services	10,866	9,193	0	9,193	8,291
Other Related Expenses	<u>17,433</u>	<u>19,159</u>	<u>0</u>	<u>19,159</u>	<u>15,470</u>
Total, Program	<u>\$ 109,028</u>	<u>\$109,834</u>	<u>\$ 0</u>	<u>\$109,834</u>	<u>\$107,383</u>
Use of Prior Year Balances	-6,000	-22,927		-22,927	-4,875
Total, Budget Authority	<u>\$ 103,028</u>	<u>\$ 86,907</u>	<u>\$ 0</u>	<u>\$ 86,907</u>	<u>\$102,508</u>
Current Budget Authority	(99,807)	(83,230)		(83,230)	(102,508)
Permanent Budget Authority	(3,221)	(3,677)		(3,677)	(0)
Full Time Equivalents	1100	1168		1168	1168

PROGRAM DIRECTION (Cont'd)

III. Performance Summary:

Salaries and Benefits:

<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
\$73,079	\$73,721	\$75,629

Federal staff maintain and operate Western's high-voltage transmission system comprised of over 16,850 miles of line, 258 substations, and associated power system, control, communication and general plant facilities. Staff provide continuing services such as system operations and load dispatching, power billing and collection, power marketing, general power resources planning, energy services, technology transfer, environmental, safety, security and emergency management activities within 13 separate power systems. Staff inspect construction activities in progress (identified in the Construction and Rehabilitation activity) to ensure quality results and safe working methods. Preconstruction activities (including planning, environmental clearance, collection of field data, design of facilities, issuance of specifications, and power facility development costs) for future rehabilitation and upgrades of existing transmission lines, and planning with customers and other members of the interconnected transmission system to identify the most effective transmission system improvements, will continue. Implementation of Western's Transformation, a process to reorganize, restructure, and reengineer the organization, will be completed in FY 1998.

Travel:

7,650	7,761	7,993
-------	-------	-------

Supports the transportation of staff, their per diem allowances, and incidental expenses incurred in the day-to-day performance of their responsibilities, such as maintaining the high-voltage transmission system over a 1.3-million-square-mile area. Teleconferencing (audio and/or video) is used to the extent practical. Transportation of things is also included.

PROGRAM DIRECTION (Cont'd)

III. Performance Summary (Cont'd):

Support Services:	10,866	9,193	8,291
Provides services, such as automated data processing support, warehousing, and general administrative support. Processes are being streamlined and contract staff members reduced from 405 at the beginning of FY 1997 to 265 by the beginning of FY 1999, a reduction of 140 FTE, or 35 percent.			
Other Related Expenses:	17,433	19,159	15,470
Funding supports purchase and upgrades of personal computers, and purchase of copiers and printers at various locations throughout Western's service area to accomplish the workload with reduced FTE levels. Also included are training costs, the DOE working capital fund assessment, space rental, printing, the purchase of miscellaneous supplies, and the distribution of multi-project facilities costs.			

IV. Explanation of Funding Changes from FY 1998 to FY 1999:

Increase of \$1,908,000 in Salaries and Benefits is the result of anticipated salary increases of 3 percent, offset by a slightly lower level of relocation expenses and severance/separation incentives.	\$ +1,908,000
Increase of \$232,000 in Travel is attributed primarily to GSA obtaining less favorable pricing for airline costs to several "city-pairs" within Western's service territory. Many locations within Western's service area are served by only one air carrier resulting in less competitive pricing.	\$ +232,000
Decrease of \$902,000 in Support Services is due to a reduction of contract staff levels consistent with Western's Transformation initiative.	\$ -902,000
Decrease in Other Related Expenses is primarily attributed to the elimination of permanent budget authority in the FY 1999 request. The Energy and Water Development Appropriations Act of 1998 included \$3,677,000 of permanent budget authority.	\$ -3,689,000
Total	\$ -2,451,000

PROGRAM DIRECTION (Cont'd)

Support Services	FY 1997 (\$000)	FY 1998 (\$000)	FY 1999 (\$000)	FY 1998/FY 1999 Change (\$000)
Technical Support Service				
Feasibility of Design Considerations	\$ 0	\$ 0	\$ 0	\$ 0
Economic and Environmental Analysis	0	0	0	0
Test and Evaluation Studies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$ 0	\$ 0	\$ 0	\$ 0
Management Support Services				
Management Studies	\$ 386	\$ 216	\$ 352	\$ +136
Training and Education	202	69	81	+12
ADP Support	3,949	3,270	2,760	-510
General Administrative Support	<u>6,329</u>	<u>5,638</u>	<u>5,098</u>	<u>-540</u>
Subtotal	\$ 10,866	\$ 9,193	\$ 8,291	\$ -902
Total, Support Services	\$ 10,866	\$ 9,193	\$ 8,291	\$ -902

Related Expenses	FY 1997 (\$000)	FY 1998 (\$000)	FY 1999 (\$000)	FY 1998/FY 1999 Change (\$000)
Training	\$ 1,000	\$ 1,043	\$ 1,065	\$ +22
Working Capital Fund	275	254	277	+23
Printing and Reproduction	307	311	315	+4
Rental Space	2,858	3,012	3,102	+90
Software Procurement/Maintenance Activities/Capital Acquisitions	5,055	5,035	4,073	-962
Other	<u>7,938</u>	<u>9,504</u>	<u>6,638</u>	<u>-2,866</u>
Total, Related Expenses	\$ 17,433	\$ 19,159	\$ 15,470	\$ -3,689

WESTERN AREA POWER ADMINISTRATION

OPERATION AND MAINTENANCE

I. Mission Supporting Goals and Objectives:

Western's operation and maintenance (O&M) activity supports the Department of Energy's Strategic Plan to promote secure, competitive, and environmentally responsible energy systems that serve the needs of the public. Western ensures an adequate supply of reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its 15-state service territory by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbances, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales.

Western markets power generated at 55 hydropower plants which are operated primarily by the Bureau of Reclamation, the Corps of Engineers, and the International Boundary and Water Commission. Western also markets the United States' entitlement from the Navajo coal-fired powerplant near Page, Arizona.

Costs displayed in this section include the materials and supplies, capitalized and non-capitalized equipment, and technical services used in direct support of the operation and maintenance of the interconnected power system. The personnel expenses and personnel performance accomplishments associated with the O&M activity are combined with those of the Construction and Rehabilitation activity and are reflected in the Program Direction section of Western's budget request.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Regular Operation and Maintenance	\$ 17,309	\$ 26,150	\$ 21,631	\$ - 4,519	- 17
Replacements and Additions	<u>16,697</u>	<u>15,011</u>	<u>14,838</u>	<u>- 173</u>	- 1
Total, O&M Program	<u>\$ 34,006</u>	<u>\$ 41,161</u>	<u>\$ 36,469</u>	<u>\$- 4,692</u>	<u>-11</u>
Planned Use of Prior Year Balances	-7,000	-1,715	-1,658		
Total, Budget Authority	<u>\$ 27,006</u>	<u>\$ 39,446</u>	<u>\$ 34,811</u>		
Current Budget Authority	(26,453)	(37,531)	(34,353)		
Permanent Budget Authority	(553)	(1,915)	(0)		

WESTERN AREA POWER ADMINISTRATION

OPERATION AND MAINTENANCE

III. Performance Summary - Accomplishments:

FY 1997 **FY 1998** **FY 1999**

Regular Operation and Maintenance

Supplies and materials, such as wood poles, instrument transformers, meters and relays, will be procured to provide necessary resources to respond to routine and emergency situations in Western's high-voltage interconnected transmission system. Technical services, such as waste management disposal, environmental impact analyses, and pest and weed control, will be utilized as needed.

\$17,894 \$26,150 \$21,631

Replacements and Additions

Electrical equipment replacements, such as circuit breakers, transformers, revenue meters, switches, control boards, relays and oscillographs will be acquired to assure reliable service to Western's customers. System age and environmental concerns necessitate orderly replacement before significant problems develop.

\$ 8,079 \$ 5,901 \$5,672

Replacement and upgrade of microwave, supervisory control and data acquisition, and other communication and control equipment will continue to provide increased system reliability, and reduce maintenance and equipment costs. In FY 1997, Western began a staged replacement of radios and associated equipment at substations, repeater sites, and mobile units to meet new Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) regulations which require Western to move to narrow communications band spectrums by 2005.

\$ 2,913 \$ 3,523 \$ 3,593

WESTERN AREA POWER ADMINISTRATION

OPERATIONS AND MAINTENANCE

III. Performance Summary - Accomplishments, Cont:

Replacements and Additions, Cont.

Capitalized movable equipment such as special purpose vehicles (e.g., cranes, auger trucks, manlifts), special purpose equipment (e.g., pole trailers, industrial tractors, brush chippers), specialized test equipment (e.g., motion analyzers and ductor tester equipment), computer-aided engineering equipment, office equipment, and ADP equipment and software, will be upgraded and replaced. Replacement of two helicopters is authorized in FY 1998. The FY 1997 award for replacement/modification of Western's financial management system, deferred from FY 1996, was funded with prior year balances.

	<u>\$ 5,705</u>	<u>\$ 5,587</u>	<u>\$ 5,573</u>
TOTAL Replacements and Additions	<u>\$16,112</u>	<u>\$15,011</u>	<u>\$14,838</u>
TOTAL Operation and Maintenance	<u>\$34,006</u>	<u>\$41,161</u>	<u>\$36,469</u>

Explanation of Funding Changes from FY 1998 to FY 1999:

Regular Operation and Maintenance activities in FY 1998 includes \$1,915,000 additional permanent budget authority authorized in the Energy and Water Development Act of 1998. No permanent budget authority is requested in FY 1999. The balance of the decrease is attributed to a reduced level of purchases of basic supplies and materials. Restocking of wood poles, which occurred in FY 1998, is also eliminated from the FY1999 request.

\$ - 4,519,000

The decrease in Replacements and Additions is primarily attributed to a reduced level of purchases of electrical equipment (\$229,000) and capitalized movable equipment (\$14,000), offset by a very slight increase (\$70,000) in costs associated with the staged replacement of radios and associated equipment to meet FCC and NTIA regulations.

\$ -173,000

Total Funding Change, Operation and Maintenance

\$ -4,692,000

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

I. Mission Supporting Goals and Objectives:

Western's construction and rehabilitation (C&R) activity emphasizes replacement and upgrading of existing infrastructure to sustain reliable power delivery to our customers, to contain annual maintenance expenses, and to retain the value of our assets. In FY 1999, Western's transmission system will have over 16,850 circuit miles of line and 258 substations. In FY 1997, 960 of the 7,785 miles of wood pole line, or 12 percent, were over 50 years old. Western is continually testing, treating, and replacing individual wood poles and hardware to delay the need for replacing an entire transmission line. As substation equipment (such as power transformers, control boards and circuit breakers) reach the end of their useful life, maintenance costs increase, replacement parts become unavailable, outages increase, and system reliability declines. The replacement of this aging equipment is systematically planned over a 10-year period. All replacement plans are coordinated with our customers, and in many cases our customers participate in site visits to help establish the scope of equipment replacement at specific substations. When upgrades or additional capacity are required, Western actively pursues opportunities to join with neighboring utilities to jointly finance construction activities, which result in realized cost savings and increased efficiencies for all participants.

Because of the decrease in new construction projects and reduced C&R program budget, it is increasingly difficult to plan specific projects years in advance. Discovery of a failing piece of equipment may completely change the planned priority of work. Customer needs and willingness to provide financing may also change, causing Western to revise or reprioritize planned construction projects. While this section incorporates Western's best efforts to identify and schedule necessary construction and rehabilitation projects, the increased focus on replacements and the realities of operating and maintaining a complex interconnected power system mean unforeseen priority projects will surface from time to time. Western may have to slip or restructure planned projects to accommodate these sudden priority projects, but all projects will share a common purpose and need; they are replacements and upgrades of aging existing equipment necessary to maintain the reliability and integrity of Western's power transmission system. Western's policy will continue to assign the highest program priority to those situations which pose the highest risk to system reliability and integrity, as these high-risk situations are identified and evaluated.

Personnel costs and related expenses such as compensation and all related expenses for the workforce to plan, collect field data, write specifications, design facilities, award construction contracts, and purchase government-furnished equipment, and related expenses for the C&R of the interconnected power system activity are combined with those of the Operation and Maintenance activity and are reflected in the Program Direction section of Western's budget request.

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Transmission Lines and Terminal Facilities	\$ 2,066	\$ 3,609	\$ 3,807	\$ +198	+6
Substations	20,209	12,389	7,130	-5,259	-42
Other ^{1/}	<u>7,489</u>	<u>8,245</u>	<u>9,865</u>	<u>+ 1,620</u>	+20
Total, Program	<u>\$ 29,764</u>	<u>\$ 24,243</u>	<u>\$ 20,802</u>	<u>\$ - 3,441</u>	<u>-14</u>
 Planned Use of Prior Year Balances	<u>-25,544</u>	<u>- 14,088</u>	<u>-608</u>		
 Total, Budget Authority	<u>\$ 4,220</u>	<u>\$ 10,155</u>	<u>\$ 20,194</u>		

^{1/} Other includes communication equipment (such as microwave, telecommunications, and supervisory control and data acquisition systems) , maintenance facilities, power facility developmental costs, and minor unscheduled jobs.

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

III. Performance Summary - Accomplishments:

FY 1997

FY 1998

FY 1999

Transmission Lines and Terminal Facilities

Complete minor modifications of transmission lines in FY 1999 to ensure power system reliability and stability: (These numbers do not include preconstruction activities such as planning, collecting field data, etc., which are included in Program Direction.):

\$2,066

\$3,609

\$3,807

- Remove the 16.1-mile Blue River-Summit Transmission Line (Colorado) from a floodplain and scenic area.
- Rebuild 1.9 miles of Estes-Mary's Lake 69-kV Transmission Line (Colorado) and make related improvements to Estes Switchyard. This is a joint venture with Platte River Power Authority to increase reliability to the City of Estes Park.
- Replace 2.5 miles of the Weld-Windsor 115-kV Transmission Line (Colorado) with a double-circuit line. This is a joint venture with Public Service Company of Colorado. Western's line requires reconductoring due to excessive conductor wear and Public Service needs a new line. By joining together, the two utilities will make better use of existing right-of-way, reduce environmental impacts, and reduce costs.
- Realign the Gering-Stegall Transmission Line (Nebraska) so that no homes are directly under the line.
- Rehabilitation of the Armour-Mt. Vernon 115-kV Transmission Line (South Dakota), a wood pole line life extension project.
- Rebuild four short aging tap lines in Wyoming and add overhead ground wires to improve reliability.
- Construct new Shiprock-Four Corners (New Mexico) approach spans as part of overall upgrade to 345-kV which will improve system capacity and reliability in the region, provide a high-capacity interconnection with participants in the Four Corners powerplant project as well as other utilities, allow additional flexibility for system operations, and allow for wheeling that cannot presently be accommodated. This is a joint project with Tri-State Generation & Transmission Cooperative and Public Service Company of Colorado.
- Treat or replace wood poles that have failed inspection in the Pick-Sloan Missouri Basin Program as a means of transmission line life extension.

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

III. Performance Summary - Accomplishments, Cont'd.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Transmission line and terminal work for others in FY 1999 includes:	0	0	0
-Construction of the Black Mountain-Del Bac Transmission Line (Arizona) in the Central Arizona Project for the Bureau of Reclamation.			
- Relocate 4 miles of the Beaver Creek-Weld Transmission Line (Colorado) for the Colorado Highway Department.			
- Construction of the Southern Nevada Water Authority-Electrical Power Delivery System (Nevada) for the Colorado River Commission to provide electrical power facilities for a municipal water system in southern Nevada. This project would involve rehabilitation of several of Western's facilities, using non-Federal funding, in order to provide this electrical delivery.			
- Continue to work with the Navajo Nation to develop a project that will increase the transfer capability across the Four Corners (New Mexico) area. Participation in this project will continue if funding is received from non-Western sources.	_____	_____	_____
TOTAL Transmission Lines and Terminal Facilities	\$2,066	\$3,609	\$3,807

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

III. Performance Summary - Accomplishments, Cont'd.

Substations

Complete the replacement of high-voltage equipment such as circuit breakers, transformers, reactors, disconnect switches, and fuses at: Casa Grande 02, Coolidge 07, ED-2, ED-4, Henderson, Parker, and Wellton-Mohawk (Arizona); Prospect Valley and Granby 02 (Colorado); Denison 08 and Sioux City (Iowa); Sidney (Nebraska); Mead 06 (Nevada); Malin (Oregon); Custer 12, Crossover, Miles City MC-4, Rudyard, and Yellowtail (Montana); Williston 06 (North Dakota); Bonesteel, Huron 14, Summit, New Underwood and Winner (South Dakota); and Casper and Lovell 08 (Wyoming). This equipment is replaced primarily due to reliability and age, safety concerns, and/or availability of spare parts. Oil containment is added when appropriate to protect nearby water resources from possible contamination. Complete demolition of Basic Substation (Arizona). Preconstruction activities for future replacements are continuing; those costs are included in the Program Direction section. Update computer-aided-engineering equipment used for designing Western facilities.	\$17,023	\$9,959	\$3,456
Purchase and install equipment that would provide additional capability to correct low voltage problems that occur on the existing Parker-Davis transmission system along the Colorado River in northwestern Arizona.	1,450	2,200	0
Replace the 37-year old transformer at Derby Hill (Colorado) and consolidate loads from Derby Hill and Loveland Substation at Derby Hill. Remove Loveland Substation to reduce maintenance costs. This will be a joint venture with other entities in the area.	557	230	0
Replace circuit breakers and transformers due to age and lack of replacement parts at Rapid City Substation (South Dakota). This is a joint venture with Rushmore Electric Power Cooperative.	1,179	0	0

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

III. Performance Summary - Accomplishments, Cont'd.

There are several substation construction starts planned in FY 1999:	0	0	3,674
- Rebuild and reconfigure 1943 vintage Gila Substation and add prefabricated building maintenance facility (Arizona) to improve operations and reliability. The existing equipment has exceeded its normal service life and the substation configuration needs modification to improve system reliability in the area.			
- Install breakers, switches, relay and control equipment at Ault Substation (Colorado) to add line-sectionalizing capability. Public Service Company of Colorado is partially funding this work, which supplants the formerly proposed Nunn Substation project. The Ault Substation project is less expensive and provides greater system benefits.			
- Replace aging transformer and reactor and add attendant relaying at Custer Substation (Montana).			
- Replace aging breakers, switches, cables, and potential transformers and remove wavetraps at Stegall Substation (Nebraska).			
- Replacement and addition of interrupters and other equipment and replacement of control building at Washburn Substation (North Dakota). This is a 1950's substation that is being converted to provide remote control from the Watertown Operations office. The existing control building is too small to accommodate the additional control boards and equipment.			
- Addition of breaker and interrupters to protect existing transformers at Summit Substation (South Dakota). The transformers are not adequately protected from power surges which could cause catastrophic failure of the units. The control building is too small for the control boards associated with the added equipment and will be replaced with a prefabricated building.			
Work for others includes construction of the Flanagan Substation for the City of Shasta Lake (California) and Flandreau Substation for the City of Flandreau (South Dakota)	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL Substations	\$ 20,209	\$ 12,389	\$ 7,130

**WESTERN AREA POWER ADMINISTRATION
CONSTRUCTION AND REHABILITATION**

III. Performance Summary - Accomplishments, Cont'd.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Other</u>			
Upgrade/replace/expand communication systems (SCADA, microwave, fiber optic and telecommunication) in the Parker-Davis Project, Central Valley Project, Colorado River Storage Project, Pacific Northwest-Southwest Intertie Project, and Pick-Sloan Missouri Basin Program to operate and control the transmission system. Replacement parts for the existing communications system are becoming very difficult to find and the increased use of remote control of facilities, coupled with the greater integration of the Federal system with the rest of the grid, and technological advances in the communications field, makes secure and reliable communications crucial to Western's mission.	\$ 5,177	\$ 5,390	\$ 5,096
Add fire protection at various maintenance facilities in the Western Division of the Pick-Sloan Missouri Basin Program. Provide additional storage for housing vehicles, electrical equipment, and supplies that are presently being stored outside and subjected to adverse weather conditions at Western maintenance facilities at Phoenix (Arizona); Redding, Elverta, and Tracy (California); Brush Field Office (Colorado); Gering Service Center (Nebraska); Devils Lake, and Fargo (North Dakota); Huron, Armour, Pierre, Rapid City, and Watertown (South Dakota); and Casper (Wyoming). Provide a station service solar power source at Folsom (California) to reduce facility heating and cooling costs and support DOE renewable energy development goals . Of these, Casper, Huron, Pierre, and Rapid City are FY 1999 construction starts. The Huron, Pierre, and Rapid City buildings will allow indoor storage of maintenance vehicles and electrical equipment and materials presently left exposed to the elements. The Casper building replaces an aging, temporary structure that is beyond repair. Includes power facility developmental costs, and miscellaneous minor construction jobs, partially cosponsored. This item covers minor capitalized additions and modifications and work not normally scheduled or anticipated as part of larger projects.	2,312	2,855	4,769
TOTAL Other	<u>\$ 7,489</u>	<u>\$ 8,245</u>	<u>\$9,865</u>
TOTAL Construction and Rehabilitation	<u><u>\$29,764</u></u>	<u><u>\$24,243</u></u>	<u><u>\$20,802</u></u>

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

During FY 1999, preconstruction activities will occur on a number of construction and rehabilitation projects. Preconstruction activities conducted by the workforce include planning, collection of field data, environmental work, facility design, specifications preparation, and development and award of construction and equipment purchase contracts. The personnel costs and related expenses incurred during the accomplishment of these preconstruction activities are reflected in the Program Direction section of Western's budget.

The following projects will have active preconstruction activities during FY 1999: Phoenix Warehouse (Arizona), Sacramento Area Transmission Additions and Substation Modifications (California), Curecanti-Lost Canyon Transmission Line Relocation (Colorado), Glendive Transformer Replacement, and Miles City Converter Station Interrupter Replacement (all in Montana), Bismarck Maintenance Building, and Fargo Transformer Replacement (all in North Dakota), Beresford Substation Additions and Replacements, Brookings Transformer Replacement, Faith Substation Additions and Replacements, Ft. Thompson Substation Replacements, and Woonsocket Substation Additions and Replacements (all in South Dakota), Big George-Carter Mountain Transmission Line Uprate, Cheyenne-Miracle Mile Transmission Line Rebuild, and Laramie Area Substation Improvements (all in Wyoming), and transmission line life extension projects (various).

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

Explanation of Funding Changes from FY 1998 to FY 1999:

In order for Western and its customers to remain competitive in the changing utility industry, Western has aggressively reduced its capital investment program. From levels around \$110 million in FY 1992 through FY 1994, Western has reduced its total C&R program to a base of about \$40 million since FY 1996 (total program includes program, program direction, and planned use of prior year balances). Our FY 1999 program level is about \$3 million less than FY 1998, but remains 24 percent below the FY 1997 level. Western continues to refine a long-term construction and rehabilitation program level that will maintain the reliability of, and the Government's investment in, Western's power facilities while minimizing effects on power rates. Our challenge has been to evaluate Western's facilities which were built 40 to 50 years ago, and develop a systematic replacement/upgrade program at a level that retains the value of our assets, and assures a safe and reliable transmission system.

This replacement/upgrade program will include major transmission projects in future years as aging wood-pole facilities (whose useful life has already been extended through pole treatment and/or replacement programs) require replacement. Western recognizes that large system additions completely funded by Federal dollars are unlikely in the future. As a result, we anticipate that a portion of major transmission projects will be funded jointly or entirely by our customers. Our customers have been active participants in establishing Western's replacement/upgrade program, including visiting individual facilities to evaluate the condition of specific equipment that is reaching the end of its useful service life, or for which replacement parts are difficult to obtain. Construction contracts, as well as some preconstruction activities, have been delayed, reduced in scope, or canceled, as replacements have been prioritized.

Transmission Lines: This category includes minor modifications and life extension work being completed on wood pole transmission lines, including the wood pole treatment and replacement programs in the Pick-Sloan Missouri Basin Program. The FY 1999 program represents a slight increase above FY 1998 in wood pole replacement and treatment. Individual contracts are for replacements along several lines. These programs maintain the reliability and integrity of the wood pole transmission system while deferring the need to completely rebuild the facilities. These awards are timed so as to not take too many lines out of service at one time.

\$ +198,000

WESTERN AREA POWER ADMINISTRATION

CONSTRUCTION AND REHABILITATION

Explanation of Funding Changes from FY 1998 to FY 1999 (Cont'd):

Substations: This category exhibits an overall decrease due primarily to the level of prior awards of substation construction contracts or purchase of equipment in FY 1997 and FY 1998. In FY 1999, these project costs are primarily reflected under the Program Direction activity since the continuing work is for project management, commissioning, and construction supervision. Preconstruction work on several other substation projects is also under way, and is covered under Program Direction. The number of substation awards in FY 1999 only partially offset the decreases in this activity. Additionally, Western's systematic, scheduled replacement and upgrade program, developed in cooperation with our customers, has resulted in a decline in substation funding needs. \$ -5,259,000

Other: The increase is partly due to the replacement of a portion of the microwave backbone in South Dakota (\$1,673,000 budgeted in FY 1999). The microwave system provides a vital communication link to operate the power system, including protective relaying, voice communications, revenue and load control metering and supervisory control and data acquisition purposes. This is an ongoing program of replacing portions of the existing microwave system. The equipment is aging and finding replacement parts is becoming very difficult. The program will replace critical portions of the system and use the replaced parts to help extend the life of the rest of the system. The other part of the increase is attributed to four maintenance facility awards (\$2,866,000 budgeted in FY 1999), offset by reductions from completed projects. \$ +1,620,000

Total Funding Change, Construction and Rehabilitation \$ -3,441,000

WESTERN AREA POWER ADMINISTRATION

PURCHASE POWER AND WHEELING

I. Mission Supporting Goals and Objectives:

The Purchase Power and Wheeling (PPW) program obtains electrical resources and transmission capability to firm up the Federal hydropower supplies needed to meet Western's contractual obligations. Transmission wheeling services are also purchased when a third party's transmission lines are needed to deliver Federal power to Western's customers. The Central Valley Project was also legislatively authorized to market an additional 400 megawatts (MW) and purchase firming energy over the California-Oregon Intertie. As such, the Central Valley Project entered into long-term purchase power contracts to augment the Federal hydro resource as necessary to fulfill the contractual commitments to customers through the year 2004.

By providing for firming of the Federal hydro resource, the PPW program increases the value and reliability of the energy marketed. The PPW program reduces the impact on customers of changing reservoir conditions, inflows (rain, snow, drought), and variable flow regimes designed to respond to irrigation, navigation, flood control, fish and wildlife, and recreation needs. The additional revenue derived from our ability to market a firm hydro resource is necessary to ensure timely repayment of the taxpayer investment in the project's power facilities as well as full recovery of Western's and the generating agencies' annual costs allocated to power including operation and maintenance, PPW, and interest to Treasury on unpaid project investment.

The amount of purchases required to firm up the Federal hydro resource is largely contingent on water conditions in the major river systems within Western's service area; namely the Missouri River Basin, the Colorado River Basin, and the American, Trinity, Stanislaus, and Sacramento River Basins in California. The FY 1999 request assumes average reservoir levels in all of Western's service area. Increased competitiveness in the California service area also impacts the amount of power purchased in the Central Valley Project (CVP), as Western's customers are not requesting the full amount of energy Western is contractually required to provide. Western-wide power purchases were at a high of 11.7 billion kilowatt-hours in FY 1993 due to extended drought conditions across Western and downstream flooding in the Missouri River basin. In FY 1999 power purchases are expected to remain at the lower levels experienced in the last few years; about 6.9 billion kilowatt-hours.

Alternative financing methods reduce the dollars appropriated from the Reclamation Fund for the PPW program by 50% to 60% annually. The alternative methods, including net billing, bill crediting, Federal and non-Federal reimbursable, are expected to reduce the FY 1999 appropriation requirement by 65% or \$99 million. Part II of this section includes two Funding Schedules by program activity. The first Funding Schedule shows the budgeted program requirement, consisting of new budget authority and prior year balances, net of any alternative financing planned. The second Funding Schedule illustrates the gross purchase power need including use of alternative financing methods.

WESTERN AREA POWER ADMINISTRATION

PURCHASE POWER AND WHEELING

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Central Valley Project	\$ 63,540	\$ 47,945	\$ 48,977	\$ +1,032	+2
Pick-Sloan Missouri Basin Program	9,775	6,941	4,909	-2,032	-29
Other Projects	<u>920</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total, PP&W Program	<u>\$ 74,235</u>	<u>\$ 54,886</u>	<u>\$ 53,886</u>	<u>\$ -1,000</u>	<u>-2</u>
Use of Prior Year Balances, Net	<u>-27,917</u>	<u>-2,351</u>	<u>-1000</u>		
Total Budget Authority	<u>\$ 46,318</u>	<u>\$ 52,535</u>	<u>\$ 52,886</u>		

<u>Program Activity (gross)</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Central Valley Project	\$ 150,796	\$ 121,450	\$ 105,527	\$ -15,923	-13
Pick-Sloan Missouri Basin Program	42,000	42,150	44,347	+2,197	+5
Other Projects	<u>3,920</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>0</u>
Total, PP&W Program (gross)	<u>\$ 196,716</u>	<u>\$ 166,600</u>	<u>\$ 152,874</u>	<u>\$ -13,726</u>	<u>-8</u>
Use of Alternative Financing	-122,481	-111,714	-98,988	+12,726	-11
Net billing, bill crediting, non-Federal reimbursable	(-102,481)	(-89,314)	(-78,988)	(+10,326)	(-12)
Reimbursable, Federal contract loads	<u>(-20,000)</u>	<u>(-22,400)</u>	<u>(-20,000)</u>	<u>(+2,400)</u>	<u>(-11)</u>
Total, PPW Program	<u>\$ 74,235</u>	<u>\$ 54,886</u>	<u>\$ 53,886</u>	<u>\$ -1,000</u>	<u>-2</u>
Use of Prior Year Balances, Net	<u>-27,917</u>	<u>- 2,351</u>	<u>-1,000</u>		
Total, Budget Authority	<u>\$ 46,318</u>	<u>\$ 52,535</u>	<u>\$ 52,886</u>		

WESTERN AREA POWER ADMINISTRATION

PURCHASE POWER AND WHEELING

III. Performance Summary - Accomplishments:

Central Valley Project

Continue purchasing energy, capacity, and wheeling services to meet Western's contractual commitments. Power purchases have dropped from a high of more than 7 billion kilowatt-hours (kWh) in FY 1992 to about half that amount in FY 1997 due to a combination of improved water conditions and lower customer loads. Current FY 1998 and 1999 requests assume a requirement of 3.7 billion kWh, including 0.3 billion kWh to offset generation reductions anticipated from Trinity River minimum flow requirements beginning in FY 1998. The loads remain low due to continued competitiveness in the energy market. However, recent rate reductions of more than 20 percent in the Central Valley Project power rate may contribute to higher loads in the future. As a result of the reduced market, Western has been able to work with its long-term firm power supply contractors to reduce the quantity and cost of these purchases. Pacific Gas & Electric (PG&E) capacity rates were reduced, PacifiCorp energy prices have been reduced, Portland General energy prices above 40 percent load factor were reduced, and the Longview Fibre contract was terminated early. The City of Tacoma purchase power contract has effectively been terminated; however, they are pursuing legal action against Western's exercise of the contract termination provisions.

Alternative methods of financing, while dropping by \$17 million, are still expected to provide for more than half of the Central Valley PPW program. The decrease in alternative financing is due to termination and renegotiation of the long-term firm-power supply contracts described above. The contractual changes have reduced our costs and our ability to bill credit, virtually eliminated surplus sales which previously were net-billable with PG&E, and increased reliance on lower cost sources (PG&E and spot-market) that currently require appropriations. In addition, participating bill-crediting customers are pursuing their own energy scheduling capability to take advantage of market-based energy rates, which can reduce the power they take from us on a monthly basis and further limit our ability to bill credit.

<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
\$ 150,796	\$ 121,450	\$ 105,527
-87,256	-73,505	-56,550
<hr/>	<hr/>	<hr/>
\$ 63,540	\$ 47,945	\$ 48,977

TOTAL Central Valley Project

WESTERN AREA POWER ADMINISTRATION

PURCHASE POWER AND WHEELING

III. Performance Summary - Accomplishments:

Pick-Sloan Missouri Basin Program

Continue purchasing energy and wheeling services to meet power firming needs and delivery obligations for the Pick-Sloan Missouri Basin Program, including both the Eastern and Western Divisions of the Pick-Sloan Missouri Basin Program and the Fryingpan-Arkansas Project. Slight increase in total purchases is due to lower generation estimates in Corps/Bureau hydrology projections.

Additional alternative financing is expected to be available in the Western Division providing for a total of 89% of the FY 1999 Pick-Sloan Missouri Basin PPW program.

TOTAL Pick-Sloan Missouri Basin Program

Other Projects

Continue firming purchases for the Boulder Canyon Project as requested by customers. Continue resource pooling arrangements providing for banking and exchange of energy services with neighboring utilities to reduce the Parker-Davis Project purchase power appropriation requirement to zero. Effectiveness of the Parker-Davis resource pooling arrangements may be reduced in the future as a result of industry restructuring initiatives. If this occurs, appropriations of as much as \$5 million may be required in years of drought or excessive downstream flooding.

Advance funding arrangements with the Boulder Canyon Project customers are in place. The permanent authority request for PPW has been totally offset in FY 1997 and the out years.

TOTAL Other Projects

TOTAL Purchase Power and Wheeling

<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
\$ 42,000	\$ 42,150	\$ 44,347
-32,225	-35,209	-39,438
<u>\$ 9,775</u>	<u>\$ 6,941</u>	<u>\$ 4,909</u>
\$ 3,920	\$ 3,000	\$ 3,000
-3,000	-3,000	-3,000
<u>\$ 920</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>\$ 74,235</u>	<u>\$ 54,886</u>	<u>\$ 53,886</u>

WESTERN AREA POWER ADMINISTRATION

PURCHASE POWER AND WHEELING

Explanation of Funding Changes from FY 1998 to FY 1999:

The CVP PPW program (including alternative financing) is being reduced by another \$16 million or 13% in FY 1999 due to increased reliance on lower-cost PG&E and spot-market sources, while minimizing current higher cost purchases from the long-term purchase power contracts to the extent allowed within the terms of the contracts. The appropriation requirement however is increasing by \$1 million for the same reason. Basically, the current higher cost suppliers have voluntarily participated in alternative financing methods while the current lower cost suppliers (PG&E and spot-market) for the most part have not. In addition, participating bill-crediting customers are pursuing their own energy scheduling capability which will limit our ability to bill credit on a monthly basis. \$ +1,032,000

The PPW appropriation requirement for the Pick-Sloan Missouri Basin Program is \$2 million less in FY 1999 than FY 1998 due to the expansion of alternative financing from 84% to 89% of the total PPW need. \$ -2,032,000

The Desert Southwest Region has eliminated the need for purchase power appropriations to support the firming requirement of the Parker-Davis Project through resource pooling arrangements with neighboring utilities. This arrangement results in a reduced appropriation requirement of nearly \$1 million annually under normal operating conditions. \$ 0

Total Funding Change, Purchase Power and Wheeling \$ -1,000,000

Major Issues:

The FY 1999 request assumes the City of Tacoma purchase power contract remains effectively terminated. The termination has resulted in litigation against Western by the City of Tacoma. No contingency funds are included in this request to offset the cost of a decision against Western.

WESTERN AREA POWER ADMINISTRATION

UTAH MITIGATION AND CONSERVATION

I. Mission Supporting Goals and Objectives:

The Reclamation Projects Authorization and Adjustment Act of 1992, Title III--Fish, Wildlife, and Recreation Mitigation and Conservation provided for the establishment of the Utah Reclamation Mitigation and Conservation Commission (Commission). Under Title IV of this Act, the Utah Reclamation Mitigation and Conservation Account (Account) was established in the Treasury of the United States. The purpose of this account is to ensure that the level of environmental protection, mitigation, and enhancement achieved in connection with projects identified in the Act and elsewhere in the Colorado River Storage Project in the State of Utah is preserved and maintained. The State of Utah and the Administrator of Western Area Power Administration (Western) are authorized to deposit funds into the account. Such expenditures are to be considered nonreimbursable and nonreturnable.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Utah Mitigation and Conservation	<u>\$ 5,432</u>	<u>\$ 5,592</u>	<u>\$ 5,036</u>	<u>\$ -556</u>	<u>- 10</u>
Total, Utah Mitigation and Conservation	<u>\$ 5,432</u>	<u>\$ 5,592</u>	<u>\$ 5,036</u>	<u>\$ -556</u>	<u>- 10</u>

WESTERN AREA POWER ADMINISTRATION

UTAH MITIGATION AND CONSERVATION

III. Performance Summary - Accomplishments:

FY 1997 **FY 1998** **FY 1999**

Utah Mitigation and Conservation

A deposit will be made to the Utah Reclamation Mitigation and Conservation Account \$ 5,432 \$ 5,592 \$ 5,036

TOTAL Utah Mitigation and Conservation \$ 5,432 \$ 5,592 \$ 5,036

Explanation of Funding Changes from FY 1998 to FY 1999:

The decrease reflects support for the Administration's goal to reach a balanced budget by FY 2002, through controlled, Government-wide expenditures. Deposits to the Utah Mitigation and Conservation Account are directed by the Reclamation Projects Authorization and Adjustment Act of 1992. \$ -556,000

Total Funding Change, Utah Mitigation and Conservation \$ -556,000

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION**

FALCON AND AMISTAD MAINTENANCE FUND

**PROGRAM FUNDING PROFILE
(Dollars in Thousands)**

	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 <u>Adjustments</u>	FY 1998 Current <u>Appropriation</u>	FY 1999 <u>Request</u>
Falcon and Amistad Maintenance Operating Expenses	\$ <u>970</u>	\$ <u>970</u>	\$ <u>0</u>	\$ <u>970</u>	\$ <u>1,010</u>
Total Program	\$ <u>970</u>	\$ <u>970</u>	\$ <u>0</u>	\$ <u>970</u>	\$ <u>1,010</u>

Authorizations:
P. L. 103-236, "Foreign Relations Authorization Act, Fiscal Years 1994 and 1995"

WESTERN AREA POWER ADMINISTRATION

FALCON AND AMISTAD MAINTENANCE FUND

I. Mission Supporting Goals and Objectives:

The Falcon and Amistad Operating and Maintenance Fund (Maintenance Fund) was established in the Treasury of the United States as directed by the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995. The Maintenance Fund is administered by the Administrator of the Western Area Power Administration (Western) for use by the Commissioner of the United States Section of the International Boundary and Water Commission (IBWC) to defray operation, maintenance (O&M) and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams. The two powerplants have a combined generating capacity of 97.5 megawatts.

All revenues collected in connection with the disposition of electric power generated at the Falcon and Amistad Dams, except monies received from the Government of Mexico, are credited to the Maintenance Fund and are available for appropriation for defraying O&M and emergency costs for the hydroelectric facilities at the dams. Revenues collected in excess of expenses are used to repay, with interest, the cost of replacements and original investments. Most of the O&M funds will be made available to the United States' Section of the International Boundary and Water Commission through a reimbursable agreement. The Federal staff funded under this program continue to be allocated to the U.S. Section of IBWC by the Department of State.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Falcon and Amistad Maintenance Fund	<u>\$ 970</u>	<u>\$ 970</u>	<u>\$ 1,010</u>	<u>\$ +40</u>	<u>+ 4</u>
Total, Falcon and Amistad Maintenance Fund	<u>\$ 970</u>	<u>\$ 970</u>	<u>\$ 1,010</u>	<u>\$ + 40</u>	<u>+ 4</u>

WESTERN AREA POWER ADMINISTRATION
FALCON AND AMISTAD MAINTENANCE FUND

III. Performance Summary - Accomplishments:

FY 1997 FY 1998 FY 1999

Falcon and Amistad

Twenty-four hour operation and maintenance of two powerplants to ensure response to ever-changing water conditions, customer demand, and continual coordination with operating personnel of the Government of Mexico will be accomplished. Power will be marketed; repayment studies completed; revenue collected.

\$ 970 \$ 970 \$ 1,010

TOTAL Falcon and Amistad Maintenance Fund

\$ 970 \$ 970 \$ 1,010

Explanation of Funding Changes from FY 1998 to FY 1999:

The increase is attributable to equipment purchases including station service batteries at the Amistad site and a horizontal band saw at the Falcon site. The station service batteries provide direct current power for control systems and an emergency source of power for facility lights and pumps in the event of power system failure. The batteries currently in use are approaching the end of their useful life. The band saw is required for fabricating parts no longer available for aging equipment. The equipment is critical to keep the power plant operational so that power delivery will not be curtailed.

\$ +40,000

Total Funding Change, Falcon and Amistad

\$ +40,000

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
(dollars in thousands)

COLORADO RIVER BASINS POWER MARKETING FUND
PROGRAM FUNDING PROFILE

	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 Adjustments	FY 1998 Current <u>Appropriation</u>	FY 1999 <u>Request</u>
Colorado River Basins Power Marketing Fund					
Program Direction	\$ 28,662	\$ 25,526	\$ 0	\$ 25,526	\$ 26,478
Equipment, Contracts and Related Expenses	<u>91,769</u>	<u>99,260</u>	<u>0</u>	<u>99,260</u>	<u>74,183</u>
Total Program, Operating Expenses	<u>\$ 120,431</u>	<u>\$ 124,786</u>	<u>\$ 0</u>	<u>\$ 124,786</u>	<u>\$100,661</u>
Offsetting Collections Realized <u>1/</u>	<u>-130,431</u>	<u>-140,884</u>	<u>0</u>	<u>- 140,884</u>	<u>-116,759</u>
Budget Authority	<u>\$ -10,000</u>	<u>\$ -16,098</u>	<u>\$ 0</u>	<u>\$ -16,098</u>	<u>\$ -16,098</u>

1/ The above Offsetting Collections Realized in FY 1999 have been increased by \$1,098,000 to reflect the Administration's decision to recover the unfunded portion of the Civil Service Retirement System (CSRS) and Post-Retirement Health Benefits for Western and the operating agency power-related employees.

Authorizations:

P.L. 75-529, "The Fort Peck Project Act of 1938"

P.L. 84-484, "The Colorado River Storage Project Act of 1956"

P.L. 90-537, "The Colorado River Basin Project Act of 1968"

P.L. 95-91, "Department of Energy Organization Act" (1977)

**WESTERN AREA POWER ADMINISTRATION
COLORADO RIVER BASINS POWER MARKETING FUND**

PROGRAM DIRECTION

I. Mission Supporting Goals/Ongoing Responsibilities:

The Colorado River Basins Program is comprised of three power systems. These three systems are the Colorado River Storage Project (Arizona, Colorado, New Mexico, Utah and Wyoming), including the Dolores (Colorado) and Seedskaadee (Wyoming) Projects; the Fort Peck Project in Montana; and the Colorado River Basin Project in Arizona, including the Central Arizona Project and the United States' entitlement from the Navajo coal-fired powerplant near Page, Arizona. This program is funded through Western's business-type revolving fund (Federal Enterprise Fund), the Colorado River Basins Power Marketing Fund.

Revenues from the sale of electric energy and capacity replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction, purchase power and wheeling, interest, emergencies, and other power marketing expenses. Power sales and other revenues, which are collected in excess of expenses, are used for repayment of investments to the U.S. Treasury. This request is for spending authority only, and represents Western's estimate of obligations to finance these business-type operations.

Western operates and maintains the transmission system for the Projects funded in this Account to ensure an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner. Western achieves continuity of service by maintaining its power systems at or above industry standards, rapidly restoring service following any system disturbances, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales. In concert with our customers, Western reviews required replacements to its existing infrastructure to sustain reliable power delivery to our customers and to contain annual maintenance expenses.

The Program Direction activity provides compensation and all related expenses for the workforce that operates and maintains Western's high voltage interconnected transmission system and associated facilities. These employees include, but are not limited to, electrical and electronic engineers, high voltage linemen and electricians, power dispatchers, public utility specialists, power marketing specialists, environmental and safety specialists, and administrative staff.

PROGRAM DIRECTION (Cont'd)

Program Direction has been grouped into four categories:

Salaries and Benefits: Funding for wages, includes geographic differentials, pay raises (including legislated, negotiated, and administratively-determined), overtime, holiday and premium pay, and cash incentive awards for the Federal workforce funded in this Account. This category also includes Western's share of employee retirement, health and life insurance, accident compensation, Federal Insurance Contribution Act taxes, and Federal Retirement Thrift Savings Plan contributions. Benefits include relocation expenses related to permanent changes of station, and payments for former employees such as severance pay and voluntary separation incentives.

Travel: Funding for the transportation of Government employees, their per diem allowances and incidental expenses incurred in the day-to-day performance of their responsibilities. Also includes transportation of things.

Support Services: Funding for services including automated data processing and general administrative support.

Other Related Expenses: Funding for rental space, telecommunications, utilities and miscellaneous charges, printing and reproduction, training tuition fees, maintenance and repair of office equipment, supplies, materials, non-capitalized equipment, and a distribution of Western's general management costs and multi-project facilities costs.

II. Funding Table:

	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 <u>Adjustments</u>	FY 1998 Current <u>Appropriation</u>	FY 1999 Budget <u>Request</u>
Salaries and Benefits	\$ 13,327	\$ 13,108	\$ 0	\$ 13,108	\$ 13,501
Travel	1,058	1,135	0	1,135	1,182
Support Services	2,569	1,780	0	1,780	1,647
Other Related Services	<u>11,708</u>	<u>9,503</u>	<u>0</u>	<u>9,503</u>	<u>10,148</u>
Total, Program Direction	<u>\$28,662</u>	<u>\$ 25,526</u>	<u>\$ 0</u>	<u>\$ 25,526</u>	<u>\$ 26,478</u>
Full Time Equivalents	152	161	161	161	161

PROGRAM DIRECTION (Cont'd)

III. Performance Summary:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Salaries and Benefits:	\$ 13,327	\$ 13,108	\$ 13,501
Federal staff maintain and operate approximately 4,000 circuit miles of high-voltage transmission lines and associated substations, switchyards, communication, control, and general plant facilities associated with this program. Staff provide continuing services such as system operations and load dispatching, power billing and collection, power marketing, general power resources planning, energy services, technology transfer, environmental, safety, security and emergency management activities.			
Travel:	\$ 1,058	1,135	1,182
Supports the transportation of staff, their per diem allowances, and incidental expenses incurred in the day-to-day performance of their responsibilities, such as maintaining the high-voltage transmission system. Transportation of things is also included. Teleconferencing (audio and/or video) is used to the extent practical.			
Support Services:	\$2,569	1,780	1,647
Provides services, such as automated data processing support, warehousing, and general administrative support. Processes are being streamlined and contract staff members reduced from 405 at the beginning of FY 1997 to 265 by the beginning of FY 1999, a reduction of 140 FTE, or 35 percent. A portion of those costs are funded by this Account.			
Other Related Expenses:	\$11,708	9,503	10,148
Funding supports purchase and upgrades of personal computers, and purchase of copiers and printers at various locations to accomplish the workload with reduced FTE. Also includes training costs, the DOE working capital fund assessment, space rental, printing, purchase of miscellaneous supplies, and distribution of a portion of Western's general management costs and multi-project facilities costs.			

PROGRAM DIRECTION (Cont'd)

IV. Explanation of Funding Changes from FY 1998 to FY 1999:

Increase of \$393,000 in Salaries and Benefits reflects anticipated inflationary increases of 3 percent.	\$ +393,000
Increase of \$47,000 in Travel is attributed to anticipated price increases in air fares. Many of Western's duty locations are in areas with only one air carrier so pricing is less competitive.	\$ +47,000
Decrease of \$133,000 in Support Services is due to a reduction of contract staff levels consistent with Western's Transformation initiative.	\$ -133,000
Increase of \$645,000 in Other Related Expenses is primarily attributed to increases in replacement/upgrades of personal computers and purchases of miscellaneous supplies and materials. Inflationary increases are included for maintenance costs for office equipment, space, training, utilities and telecommunications.	\$ +645,000
Total	\$ +952,000

PROGRAM DIRECTION (Cont'd)

	FY 1997 (\$000)	FY 1998 (\$000)	FY 1999 (\$000)	FY 1998/FY 1999 Change (\$000)
Support Services				
Technical Support Service				
Feasibility of Design Considerations	\$ 0	\$ 0	\$ 0	\$ 0
Economic and Environmental Analysis	0	0	0	0
Test and Evaluation Studies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	0	0	0	0

Management Support Services

Management Studies	\$ 88	\$ 41	\$ 73	\$ +32
Training and Education	42	15	19	+4
ADP Support	893	639	525	-114
General Administrative Support	<u>1,546</u>	<u>1,085</u>	<u>1,030</u>	<u>-55</u>
Subtotal	\$ 2,569	\$ 1,780	\$ 1,647	\$ - 133

Total Support Services

	FY 1997 (\$000)	FY 1998 (\$000)	FY 1999 (\$000)	FY 1998/FY 1999 Change (\$000)
Other Related Expenses				
Training	\$ 121	\$ 130	\$ 135	\$ +5
Working Capital Fund	62	56	61	+5
Printing and Reproduction	10	10	11	+1
Rental Space	465	411	423	+12
Software Procurement/Maintenance Activities/Capital Acquisitions	1,360	1,234	1,469	+235
Other	<u>9,690</u>	<u>7,662</u>	<u>8,049</u>	<u>+387</u>
Total Other Related Expenses	\$ 11,708	\$ 9,503	\$ 10,148	\$ + 645

**WESTERN AREA POWER ADMINISTRATION
COLORADO RIVER BASINS POWER MARKETING FUND**

EQUIPMENT, CONTRACTS AND RELATED EXPENSES

I. Mission Supporting Goals and Objectives:

The Colorado River Basins Program is comprised of power marketing, operation, and maintenance of transmission facilities of three power systems. These three systems are the Colorado River Storage Project (Arizona, Colorado, New Mexico, Utah and Wyoming), including the Dolores (Colorado) and Seedskaadee (Wyoming) Projects; the Fort Peck Project in Montana; and the Colorado River Basin Project in Arizona, including the Central Arizona Project and the United States' entitlement from the Navajo coal-fired powerplant near Page, Arizona. These activities are funded in Western's business-type revolving fund (Federal Enterprise Fund), the Colorado River Basins Power Marketing Fund.

Revenues from the sale of electric energy and capacity replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction, purchase power and wheeling, interest, emergencies, and other power marketing expenses.

Costs displayed in this section include the materials and supplies, capitalized and non-capitalized equipment, technical services used in direct support of the operation and maintenance of the interconnected power system, electrical resources, transmission capability, transmission wheeling, and interest payments to the U.S. Treasury. The personnel expenses and personnel performance accomplishments are reflected in the Program Direction section of the Colorado River Basins Power Marketing Fund request.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$ Change</u>	<u>% Change</u>
Equipment, Contracts and Related Expenses	\$ 91,769	\$ 99,260	\$ 74,183	\$ -25,077	- 25

**WESTERN AREA POWER ADMINISTRATION
COLORADO RIVER BASINS POWER MARKETING FUND**

EQUIPMENT, CONTRACTS AND RELATED EXPENSES

III. Performance Summary - Accomplishments:	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Equipment, Contracts and Related Expenses</u>			
Supplies and materials, such as wood poles, instrument transformers, meters and relays, will be procured to provide necessary resources to respond to routine and emergency situations in Western's high-voltage interconnected transmission system. Technical services, such as waste management disposal, environmental impact analyses, and pest and weed control, will be utilized as required. Reimbursements to the Corps of Engineers for operation and maintenance of the Fort Peck Powerplant continue.	\$ 9,307	\$8,342	\$8,629
Electrical resources and transmission capability to firm up the Federal hydropower supplies needed to meet Western's contractual obligations will be obtained. Transmission wheeling services are also purchased when a third party's transmission lines are needed to deliver Federal power to Western's customers.	\$40,400	\$50,400	\$24,600
Electrical equipment replacements, such as circuit breakers, transformers, revenue meters, switches, control boards, relays and oscillographs will be acquired to assure reliable service to Western's customers. Replacement and upgrade of microwave, SCADA and other communication and control equipment will continue. Capitalized movable equipment such as special purpose vehicles (e.g. cranes, auger trucks, manlifts), special purpose equipment (e.g. pole trailers, industrial tractors, brush chippers), specialized test equipment, and ADP equipment and software will be upgraded and replaced.	\$ 11,309	\$7,920	\$10,508
Interest payments to the U.S. Treasury will occur.	<u>\$30,753</u>	<u>\$32,598</u>	<u>\$30,446</u>
TOTAL Equipment, Contracts and Related Expenses	<u>\$ 91,769</u>	<u>\$99,260</u>	<u>\$74,183</u>

**WESTERN AREA POWER ADMINISTRATION
COLORADO RIVER BASINS POWER MARKETING FUND**

EQUIPMENT, CONTRACTS AND RELATED EXPENSES

Explanation of Funding Changes from FY 1998 to FY 1999:

The decrease in Equipment, Contracts and Related Expenses is primarily attributed to decreased costs for power purchases (\$- 25,800,000), and a reduced interest payment to the U.S. Treasury (\$ -2,152,000). The decrease in power purchases occurs because the FY 1998 request included funds to purchase additional power during peak hours to meet contractual loads during periods of test flows associated with the Endangered Fish Research. The test flows are not scheduled to be repeated in FY 1999. The decreases are offset by an increase of \$287,000 for basic supplies and materials and an increase of \$2,588,000 in system replacements, attributed to the staged replacement of the microwave system and digital radios to meet new Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) regulations which require Western to move to narrow communications band spectrums by 2005.	\$ -25,077,000
---	----------------

Total Funding Change, Equipment, Contracts and Related Expenses	\$ -25,077,000
---	----------------

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION**

SYSTEM STATISTICS

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Generating Plants (No.)</u>	56	56	56
<u>Generating Capacity:</u>			
Installed Capability (kW)	10,581,000	10,581,000	10,581,000
<u>Substations:</u>			
Number	258	258	258
Capacity (kVA)	26,369,098	26,369,098	26,369,098
<u>Transmission lines: (circuit miles)</u>			
500 kV	448.27	448.27	448.27
345 kV	1,628.34	1,628.34	1,628.34
230 kV	6,880.13	6,880.13	6,880.13
161 kV	840.66	840.66	840.66
138 kV	329.59	329.59	329.59
115 kV	5,770.75	5,770.75	5,770.75
69 kV and below	<u>959.36</u>	<u>959.36</u>	<u>959.36</u>
Total circuit miles	16,857.10	16,857.10	16,857.10

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
(dollars in thousands)

ESTIMATE OF REVENUES 1/

<u>PROJECT</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Boulder Canyon Project 2/	\$ 53,058	\$ 52,393	\$ 58,748	\$ 60,687	\$ 57,602	\$ 65,917	\$ 68,111
Central Valley Project 2/	175,596	173,956	162,639	162,639	157,464	167,953	167,953
Colorado River Basin Project (Navajo) 3/	87,800	87,800	87,800	87,800	87,800	87,800	87,800
Falcon-Amistad Project 4/	3,562	3,562	3,562	3,562	3,562	3,562	3,562
Fryingpan-Arkansas Project	13,454	13,454	13,454	13,454	13,454	13,454	13,454
Pacific Northwest-Southwest Intertie	20,810	20,810	20,810	20,810	20,810	20,810	20,810
Parker-Davis Project 2/	37,029	31,084	37,592	39,820	38,280	39,598	42,198
Pick-Sloan Missouri Basin Program	260,298	253,542	253,470	253,572	251,571	253,089	247,097
Provo River Project	326	313	254	254	228	228	228
Washoe Project	767	784	782	782	782	782	782
Colorado River Storage Project	142,927	137,018	135,207	134,499	134,306	133,823	133,435
Collbran Project	2,159	2,098	2,036	1,974	1,912	1,912	1,912
Rio Grande	2,465	2,380	2,296	2,211	2,127	2,127	2,127
Seedskadee Project	1,186	1,175	1,164	1,154	1,143	1,132	1,132
Dolores Project	<u>2,866</u>	<u>2,866</u>	<u>2,866</u>	<u>2,866</u>	<u>2,866</u>	<u>2,866</u>	<u>2,866</u>
TOTAL	\$804,303	\$783,235	\$782,679	\$786,084	\$773,906	\$795,053	\$793,466

Footnotes on next page

ESTIMATES OF REVENUES (Cont'd):

- 1/ Unless otherwise noted, all project amounts are based on FY 1996 Final Power Repayment Studies (PRS) except for Colorado River Basin Project revenues which are based on estimated projections since no PRS is prepared.
- 2/ Revenue estimates for the Central Valley Project, Boulder Canyon Project, and the Parker Davis Project are based on preliminary FY 1997 power repayment study estimates supporting FY 1998 rate actions approved in the fall of 1997.
- 3/ Western has contractually agreed for the Salt River Project (SRP) to act as the scheduling entity and operating agent for the Central Arizona Project's (CAP) portion of the Navajo generating station's output (547 MW). In return, as Western retains marketing responsibility, SRP agreed to pay a monthly fixed and variable cost. This revenue meets CAP repayment requirements.
- 4/ Revenue estimates for the Falcon-Amistad Project are based on the FY 1997 estimated repayment calculation for this project.

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
(in gigawatthours) 1/

ESTIMATE OF ENERGY SALES 2/

<u>PROJECT</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Boulder Canyon Project 3/	4,349	5,110	4,966	5,442	5,048	4,501	4,501
Central Valley Project 4/	7,728	8,172	8,021	8,028	8,086	8,158	8,158
Colorado River Basin Project (Navajo) 5/	4,116	4,116	4,116	4,116	4,116	4,116	4,116
Falcon-Amistad Project	373	373	373	373	373	373	373
Fryingpan-Arkansas Project	52	52	52	52	52	52	52
Pacific Northwest-Southwest Intertie 6/	0	0	0	0	0	0	0
Parker-Davis Project 3/	1,346	1,346	1,346	1,346	1,346	1,346	1,346
Pick-Sloan Missouri Basin Program 7/	13,209	12,564	12,526	12,536	12,507	12,414	12,069
Provo River Project	20	20	20	20	20	20	20
Washoe Project	10	10	10	10	10	10	10
Colorado River Storage Project	5,798	5,798	5,812	5,835	5,866	5,866	5,866
Collbran Project	46	45	43	42	41	41	41
Rio Grande Project	94	91	88	84	81	81	81
Seedskadee Project	65	64	63	62	61	59	59
Dolores Project	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
TOTAL	37,225	37,780	37,455	37,965	37,626	37,056	36,711

Footnotes on next page

ESTIMATES OF ENERGY SALES (Cont'd):

- 1/ One gigawatthour (GWh) equals one million kilowatthours (kWh).
- 2/ Unless otherwise noted, all project amounts are based on FY 1996 Final Power Repayment Studies (PRS) except for Colorado River Basin Project sales which are based on estimated projections since no PRS is prepared.
- 3/ Sales estimates for the Boulder Canyon Project and the Parker Davis Project are based on preliminary FY 1997 power repayment study estimates supporting FY 1998 rate actions approved in the fall of 1997.
- 4/ Estimates include sales into the Pacific Gas & Electric EA2 account.
- 5/ Western entered into a long-term marketing agreement with Salt River Project (SRP) on June 1, 1994, under which all surplus Navajo energy is marketed to SRP. Under the terms of this sale, SRP now has the right to use the remaining surplus Navajo energy for scheduling and integration with the SRP system.
- 6/ Pacific Northwest-Southwest Intertie shows no energy sales, but reflects revenues from the transmission of energy (refer to the Estimate of Revenues table). The Intertie Project is for transmission of energy only.
- 7/ Pick-Sloan energy sales are above average in FY 1997 due to improved water conditions.

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION
(dollars in thousands)

ESTIMATE OF PROPRIETARY RECEIPTS

<u>ACTIVITY</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Falcon Amistad Maintenance Fund, 895178	\$ 1,188	\$ 1,162	\$ 1,162	\$ 1,162	\$ 1,162	\$ 1,162	\$ 1,162
Sale and transmission of electric power, Falcon and Amistad dams, 892245	2,633	2,400	2,400	2,400	2,400	2,400	2,400
Sale of Power and Other Utilities Not Otherwise Classified, 892249	92,709	42,500	42,500	42,500	42,500	42,500	42,500
Sale of Power - Western Area Power Administration- Reclamation Fund, 895000.27 1/	<u>311,633</u>	<u>304,890</u>	<u>309,306</u>	<u>299,449</u>	<u>301,057</u>	<u>313,039</u>	<u>310,395</u>
TOTAL, Proprietary Receipts	\$408,163	\$350,952	\$355,368	\$345,511	\$347,119	\$359,101	\$356,457

- 1/ The above amounts in FY 1999 and the outyears have been increased by roughly \$8 million annually to reflect the Administration's decision to recover the unfunded portion of the Civil Service Retirement System (CSRS) and Post-Retirement Health Benefits for Western and the operating agency power-related employees.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
WESTERN AREA POWER ADMINISTRATION**

PENDING LITIGATION

City of Tacoma v. Hazel O'Leary, Secretary of the United States Department of Energy, No. C96-5699 RJB (W. D. Wash., filed July 22, 1996). In January 1996, Western issued a notice to terminate a purchase power contract with the City of Tacoma. The effective date of the termination was February 1, 1997. Tacoma sued Western in U.S. District Court, alleging that Western violated the Administrative Procedure Act by: (1) exceeding its authority under the Reclamation Laws and Energy Act; (2) failing to consider the effects that terminating the purchase power contract would have on the economic well being of the City and its utilities; (3) exceeding its authority under the contract; and (4) failing to consider all relevant factors in making the decision to terminate the contract. Western believes that it acted properly in terminating the contract , in accordance with the terms of the contract. After Western terminated the contract, Tacoma amended its complaint by adding claims for breach of contract. Tacoma now seeks money damages of \$144 million.

The United States believes that the U.S. District Court lacks subject matter jurisdiction over the complaint, and that the case should be heard in the U.S. Court of Federal Claims under the Tucker Act. The United States has filed an interlocutory appeal with the Ninth Circuit, seeking a ruling to this effect. Discovery in the case is stayed pending the outcome of the appeal.